

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**AS OF AND FOR THE YEAR
ENDED JUNE 30, 2009**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1/20/2010

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

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Hulsey, Harwood & Sheridan, LLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

**To the Mayor and Council Members
Town of Oak Grove, Louisiana**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Oak Grove, Louisiana as of and for the year ended June 30, 2009, which collectively comprise the Town of Oak Grove's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Oak Grove, Louisiana's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Louisiana Society of Certified Public Accountants and the Louisiana Legislative Auditor. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Oak Grove, Louisiana, as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

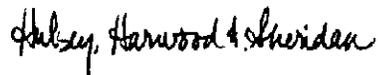
In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2009, on our consideration of the Town of Oak Grove, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Town of Oak Grove
Independent Auditor's Report
June 30, 2009

The management's discussion and analysis and budgetary comparison information on pages 3 through 5 and 31 through 34, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Oak Grove, Louisiana's basic financial statements. The Other Supplemental Schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Other Supplemental Schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

HULSEY, HARWOOD & SHERIDAN, LLC
Accountants and Consultants



December 23, 2009

TOWN OF OAK GROVE, LOUISIANA

Management's Discussion and Analysis As of and for the Year Ended June 30, 2009

Our discussion and analysis of the Town of Oak Grove, Louisiana (the Town) provides an overview of the Town's activities for the year ended June 30, 2009. Please read it in conjunction with the Town's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Town as a whole.

Reporting the Town as a Whole The Statement of Net Assets and the Statement of Activities

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Town's net assets and changes in them. The Town's net assets (i.e., the difference between assets and liabilities) are a measure of the Town's financial position. The increases or decreases in the Town's net assets are an indicator of whether its financial position is improving or deteriorating.

THE TOWN AS A WHOLE

At June 30, 2009, net assets were as follows:

NET ASSETS

	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 3,385,819	\$ 3,201,127
Capital assets, net	<u>5,696,673</u>	<u>5,839,816</u>
Total assets	<u>9,082,492</u>	<u>9,040,943</u>
Liabilities:		
Current	295,472	271,135
Long-term	<u>1,828,668</u>	<u>2,006,894</u>
Total liabilities	<u>2,124,140</u>	<u>2,278,029</u>
Net assets:		
Invested in capital assets, net of debt	3,711,351	3,682,580
Restricted	506,820	602,322
Unrestricted	<u>2,740,181</u>	<u>2,478,012</u>
Total net assets	<u>\$ 6,958,352</u>	<u>\$ 6,762,914</u>

TOWN OF OAK GROVE, LOUISIANA

Management's Discussion and Analysis As of and for the Year Ended June 30, 2009

For the year ended June 30, 2009, net assets changed as follows:

CHANGE IN NET ASSETS

	2009	2008
Program revenues:		
Charges for services	\$ 566,971	\$ 532,873
Operating grants and contributions	81,145	22,872
Capital grants and contributions	74,904	52,393
General revenues:		
Property taxes	186,780	181,754
Sales and use taxes	667,366	635,619
Other taxes, licenses and permits	208,891	212,387
Other	84,392	143,473
Total revenues	1,870,449	1,781,371
Expenses:		
General government	552,089	540,616
Public safety	223,888	212,332
Highways and streets	193,996	163,953
Health and welfare	4,375	78
Culture and recreation	1,000	-
Economic development	35,082	-
Interest expense	78,163	83,829
Water and sewer	586,418	571,088
Total expenses	1,675,011	1,571,896
Change in net assets	195,438	209,475
Net assets at beginning of year	6,762,914	6,553,439
Net assets at end of year	\$ 6,958,352	\$ 6,762,914

BUDGETARY HIGHLIGHTS

During the year, in the General Fund, there was a \$94,869 increase in anticipated revenues. It was mainly due to grant projects which included \$75,239, for the development of the Downtown Courtyard, Legion Hut renovation, Park Equipment and two trucks. The remainder of the increased is attributed to additional revenues from property taxes, franchise fees, and occupational licenses. Budgeted expenditures were increased by \$39,884, mainly because of increases in insurance, coroner's fees, Legion Hut expenses, police salaries, police retirement, and investigation expenses.

During the year in the Sales Tax Fund, there was a \$35,500 increase in anticipated revenues. This was due to an increase in sales tax revenues. There was a \$41,300 decrease in appropriations due to a decrease in expected capital outlay expenditures and changes in personnel which affected salaries, payroll taxes, and employee benefits.

TOWN OF OAK GROVE, LOUISIANA

Management's Discussion and Analysis As of and for the Year Ended June 30, 2009

In the Street Fund, budgeted grant revenue was not changed. Budgeted expenditures were increased by \$38,500 due to purchase of a mowing machine and truck, additional needed supplies, and maintenance and repair of equipment.

In the Economic Development Fund, budgeted revenue decreased by \$2,000 due to an expected decrease in interest earned on certificates of deposit. Budgeted expenditures were increased by \$38,550 due to the purchase of land for the development of the Downtown Courtyard, and engineering and consulting fees for a major sewer project.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2009, the Town's investment in capital assets for its governmental and business-type activities amounts to \$5,696,673 (net of accumulated depreciation). This investment includes buildings and improvements, vehicles, machinery, equipment, and land.

This year's additions of \$110,069 includes two (2) Ford F-150 trucks, a bush hog, a 35-ton service jack, a hand-held radar detector, two (2) Dell computer systems, a Canon digital camera, a file cabinet, a water fountain, playground equipment, an Insightvision camera, and sewer system improvements.

Debt

At year end, the Town had a total of \$1,555,000 in general obligation bonds, Series 99, outstanding. The bonds bear interest at various rates from 4.30% to 4.70% and are due to mature in 2017. The Town also has outstanding Water and Sewer Revenue Bonds, totaling \$430,322, payable in monthly installments of \$4,995 through March 20, 2038, and bearing interest at 4.875%.

In addition, the Town had a total liability of \$28,506 for compensated absences.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town of Oak Grove is located in a depressed area of the state. The Town's revenues are derived mainly from a special sales and use tax, property tax assessments, and fees for services. The Town does anticipate a major increase in revenues of \$334,075 from an LCDBG grant and \$52,000 from a Delta Regional Authority grant. These monies will be used for sewer improvements in the Town of Oak Grove. The Sewer Project will include lining the interior of sewer lines and rehabilitating lift stations. Additionally, during the fiscal year ending June 30, 2010, the Town anticipates issuing refunding Sales Tax bonds which will save the Town an estimated \$82,000 annually.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. *If you have any questions about this report or need additional financial information, contact the Town Clerk, Mrs. Sandra Miller.*

BASIC FINANCIAL STATEMENTS

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**STATEMENT OF NET ASSETS
AS OF JUNE 30, 2009**

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$2,814,288	\$ 372,107	\$3,186,395
Receivables, net of allowance for uncollectibles	134,405	55,869	190,274
Inventories	-	9,150	9,150
Capital assets not being depreciated	81,470	10,756	92,226
Capital assets, net of accumulated depreciation	<u>2,528,953</u>	<u>3,075,494</u>	<u>5,604,447</u>
TOTAL ASSETS	<u>5,559,116</u>	<u>3,523,376</u>	<u>9,082,492</u>
LIABILITIES			
Accounts payable	11,543	17,435	28,978
Payroll and related liabilities	13,640	1,966	15,606
Accrued liabilities	-	4,225	4,225
Accrued interest payable	-	4,609	4,609
Customer deposits payable	-	56,794	56,794
Due to others	100	-	100
Noncurrent liabilities:			
Due within one year	143,153	42,007	185,160
Due in more than one year	<u>1,429,801</u>	<u>398,867</u>	<u>1,828,668</u>
TOTAL LIABILITIES	<u>1,598,237</u>	<u>525,903</u>	<u>2,124,140</u>
NET ASSETS			
Investment in capital assets, net of related debt	1,055,423	2,655,928	3,711,351
Restricted for debt service	399,435	107,385	506,820
Unrestricted	<u>2,506,021</u>	<u>234,160</u>	<u>2,740,181</u>
TOTAL NET ASSETS	<u>\$3,960,879</u>	<u>\$2,997,473</u>	<u>\$6,958,352</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS		
	EXPENSES	OPERATING		GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
		CHARGES FOR SERVICES	GRANTS AND CONTRIBUTIONS			
Governmental activities:						
General government	\$ 552,089	\$ -	\$ -	\$ (495,995)	-	\$ (495,995)
Public safety	223,888	33,761	849	(165,841)	-	(165,841)
Highways and streets	193,996	-	13,428	(180,568)	-	(180,568)
Health and welfare	4,375	-	60,627	56,252	-	56,252
Culture and recreation	1,000	47,384	-	46,384	-	46,384
Economic development	35,082	-	-	(35,082)	-	(35,082)
Interest expense	78,163	-	-	(78,163)	-	(78,163)
Total governmental activities	<u>1,088,593</u>	<u>81,145</u>	<u>74,904</u>	<u>(853,013)</u>		<u>(853,013)</u>
Business-type activities:						
Water and sewer	586,418	-	-	-	\$ (98,978)	(98,978)
Total business-type activities	<u>586,418</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(98,978)</u>	<u>(98,978)</u>
Total primary government	<u>\$ 1,675,011</u>	<u>\$ 81,145</u>	<u>\$ 74,904</u>	<u>(853,013)</u>	<u>(98,978)</u>	<u>(951,991)</u>
General revenues:						
Property taxes				186,780	-	186,780
Sales and use taxes				667,366	-	667,366
Franchise taxes				76,994	-	76,994
Licenses and permits				131,680	-	131,680
Other taxes, penalties and interest				217	-	217
Unrestricted investment earnings				66,313	12,685	78,998
Other				2,633	2,761	5,394
Transfers				(13,427)	13,427	-
Total general revenues and transfers				<u>1,118,556</u>	<u>28,873</u>	<u>1,147,429</u>
Change in net assets				265,543	(70,105)	195,438
Net assets at beginning of year				3,695,336	3,067,578	6,762,914
Net assets at end of year				<u>\$ 3,960,879</u>	<u>\$ 2,997,473</u>	<u>\$ 6,958,352</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2009**

ASSETS	General	Sales Tax	Street	Economic Development	Debt Service	Other		Total
						Governmental Funds	Governmental Funds	
Cash and cash equivalents	\$398,734	\$1,218,677	\$139,985	\$353,251	\$ -	\$304,206	\$ -	\$ 2,414,853
Cash and cash equivalents - restricted	-	-	-	-	399,435	-	-	399,435
Receivables, net	13,199	117,556	-	-	-	3,650	-	134,405
TOTAL ASSETS	\$411,933	\$1,336,233	\$139,985	\$353,251	\$399,435	\$307,856	\$ -	\$ 2,948,693

LIABILITIES AND FUND BALANCES

Liabilities:								
Accounts payable	\$ 4,628	\$ 1,586	\$ 1,554	\$ -	\$ -	\$ 3,775	\$ -	\$ 11,543
Payroll and related liabilities	9,824	2,246	-	-	-	197	-	12,267
Unearned revenue	-	58,790	-	-	-	-	-	58,790
Due to others	100	-	-	-	-	-	-	100
Total liabilities	14,552	62,622	1,554	-	-	3,972	-	82,700
Fund balances:								
Reserved for debt service	-	-	-	-	399,435	-	-	399,435
Unreserved - undesignated	397,381	1,273,611	138,431	353,251	-	303,884	-	2,466,558
Total fund balances	397,381	1,273,611	138,431	353,251	399,435	303,884	-	2,865,993
TOTAL LIABILITIES AND FUND BALANCES	\$411,933	\$1,336,233	\$139,985	\$353,251	\$399,435	\$307,856	\$ -	\$ 2,948,693

The accompanying notes are an integral part of these financial statements.

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS' BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
AS OF JUNE 30, 2009**

**Amounts reported for governmental activities
in the statement of net assets are different because:**

Total fund balances	\$ 2,865,993
Capital assets used in governmental activities are not financial resources and, therefore, are deferred in the funds.	2,610,423
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	58,790
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,574,327)</u>
Net assets of governmental activities	<u><u>\$ 3,960,879</u></u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2009**

	General Fund	Sales Tax Fund	Street Fund	Economic Development Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:							
Property taxes	\$ 96,381	\$ -	\$ 64,662	\$ -	\$ -	\$ 25,737	\$ 186,780
Sales and use taxes	-	665,040	-	-	-	-	665,040
Franchise taxes	76,994	-	-	-	-	-	76,994
Other taxes, penalties and interest	217	-	-	-	-	-	217
Licenses and permits	131,680	-	-	-	-	-	131,680
Intergovernmental revenues	108,849	-	-	-	-	47,200	156,049
Charges for services	10,649	-	-	-	-	11,775	22,424
Fines	23,437	-	-	-	-	-	23,437
Lease income	33,670	-	-	-	-	-	33,670
Interest earned	10,421	33,516	4,258	8,591	4,321	5,206	66,313
Other revenues	2,597	-	-	-	35	-	2,632
Total revenues	494,895	698,556	68,920	8,591	4,356	89,918	1,365,236
Expenditures:							
Current:							
General government	219,743	288,388	-	-	-	-	508,131
Public safety	223,888	-	-	-	-	-	223,888
Highways and streets	-	-	85,436	-	-	14,982	100,418
Health and welfare	-	-	-	-	-	4,375	4,375
Culture and recreation	1,000	-	-	-	-	-	1,000
Economic development	-	-	-	35,082	-	-	35,082
Debt service - principal	-	-	-	-	135,000	-	135,000
Debt service - interest	-	-	-	-	78,163	-	78,163
Capital outlay	2,536	15,069	18,672	-	-	47,200	83,477
Total expenditures	447,167	303,457	104,108	35,082	213,163	66,557	1,169,534
Excess (deficiency) of revenues over (under) expenditures	47,728	395,099	(35,188)	(26,491)	(208,807)	23,361	195,702
Other financing sources (uses):							
Transfers in	1,850	26,854	13,429	-	214,412	4,375	260,920
Transfers out	(26,854)	(243,118)	-	(4,375)	-	-	(274,347)
Total other financing sources and uses	(25,004)	(216,264)	13,429	(4,375)	214,412	4,375	(13,427)
Net change in fund balances	22,724	178,835	(21,759)	(30,866)	5,605	27,736	182,275
Fund balances at beginning of year	374,657	1,094,776	160,190	384,117	393,830	276,148	2,683,718
Fund balances at end of year	\$ 397,381	\$ 1,273,611	\$ 138,431	\$ 353,251	\$ 399,435	\$ 303,884	\$ 2,865,993

The accompanying notes are an integral part of these financial statements.

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

**Amounts reported for governmental activities
in the statement of net assets are different because:**

Net change in fund balances - total governmental funds **\$ 182,275**

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period. **(56,579)**

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. **2,326**

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. **135,000**

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. **2,521**

Change in net assets of governmental activities **\$ 265,543**

The accompanying notes are an integral part of these financial statements.

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**PROPRIETARY FUND – WATER AND SEWER FUND
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2009**

ASSETS

Current assets:	
Cash and cash equivalents	\$ 264,722
Receivables, net	55,869
Inventories	9,150
Total current assets	<u>329,741</u>
Noncurrent assets:	
Cash and cash equivalents - restricted	107,385
Capital assets, net	3,086,250
Total noncurrent assets	<u>3,193,635</u>
TOTAL ASSETS	<u>3,523,376</u>

LIABILITIES

Current liabilities:	
Accounts payable	17,435
Payroll and related liabilities	1,966
Compensated absences payable - current	2,822
Customer deposits payable	56,794
Accrued liabilities	4,225
Accrued interest on revenue bonds	4,609
Revenue bonds payable - current	39,185
Total current liabilities	<u>127,036</u>
Noncurrent liabilities:	
Compensated absences payable	7,730
Revenue bonds payable	391,137
Total noncurrent liabilities	<u>398,867</u>
TOTAL LIABILITIES	<u>525,903</u>

NET ASSETS

Invested in capital assets, net of related debt	2,655,928
Restricted for debt service	107,385
Unrestricted	234,160
TOTAL NET ASSETS	<u>\$ 2,997,473</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**PROPRIETARY FUND – WATER AND SEWER FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009**

<hr/>	
Operating revenues:	
Charges for sales and services:	
Water and sewer fees	\$ 487,440
Other revenues	2,761
Total operating revenues	<u>490,201</u>
Operating expenses:	
Administration	452,490
Depreciation	113,156
Total operating expenses	<u>565,646</u>
Operating loss	<u>(75,445)</u>
Nonoperating revenues (expenses):	
Interest earned	12,685
Interest expense	(20,772)
Total nonoperating revenue (expenses)	<u>(8,087)</u>
Loss before contributions and transfers	(83,532)
Transfers in	<u>13,427</u>
Change in net assets	(70,105)
Net assets at beginning of year	<u>3,067,578</u>
Net assets at end of year	<u><u>\$ 2,997,473</u></u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**PROPRIETARY FUND – WATER AND SEWER FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009**

Cash flows from operating activities:	
Receipts from customers and users	\$ 486,499
Payments to suppliers	(292,275)
Payments to employees	<u>(130,816)</u>
Net cash provided by operating activities	<u>63,408</u>
 Cash flows from noncapital financing activities:	
Transfer from other funds	<u>13,427</u>
Net cash provided by noncapital and related financing activities	<u>13,427</u>
 Cash flows from capital and related financing activities:	
Purchases of capital assets	(26,591)
Principal paid on capital debt	(36,914)
Interest paid on capital debt	<u>(23,026)</u>
Net cash used by capital and related financing activities	<u>(86,531)</u>
 Cash flows from investing activities:	
Interest and dividends received	<u>12,685</u>
Net cash provided by investing activities	<u>12,685</u>
 Net increase in cash and cash equivalents	 2,989
Cash and cash equivalents, beginning of year (including amounts in restricted accounts)	<u>369,118</u>
Cash and cash equivalents, end of year (including amounts in restricted accounts)	<u><u>\$ 372,107</u></u>
 Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (75,445)
Adjustments to reconcile operating loss to cash provided by operating activities:	
Depreciation expense	113,156
(Increase) decrease in accounts receivable	(3,765)
(Increase) decrease in prepaid items	8,883
Increase (decrease) in accounts payable	16,871
Increase (decrease) in payroll related liabilities	(2,403)
Increase (decrease) in compensated absences payable	2,546
Increase (decrease) in customer deposits	63
Increase (decrease) in accrued liabilities	<u>3,502</u>
Total adjustments	<u>138,853</u>
Net cash provided by operating activities	<u><u>\$ 63,408</u></u>
 Noncash investing, capital, and financing activities:	
None	

The accompanying notes are an integral part of these financial statements.

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Oak Grove, Louisiana, (the Town) was incorporated January 13, 1909, and on January 4, 1966, adopted the provisions of The Home Rule Charter as provided by State Law Reference L.R.S. 33:1381-1390. A copy of the ratified charter is recorded in Charter Book "B" at page 401 of the records of West Carroll Parish, Louisiana. At June 30, 2004, the Town had a population of 2,174. The citizens elect the Mayor, who is the executive officer, and the five Council members. The Council elects the Mayor Pro-Tem.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Town is considered a primary government since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the Town may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting, and financial statement presentation

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Sales Tax Special Revenue Fund accounts for a twenty-year one percent sales tax levied in 1997 for the purpose of maintaining streets and drainage, purchasing police equipment, and other legal purposes consistent with the Town's purpose.

The Street Special Revenue Fund accounts for property taxes dedicated to street maintenance.

The Economic Development Special Revenue Fund accounts for funds designated for economic development within the Town.

The Debt Service Fund accounts for funds reserved for repayment of general obligation bonds.

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Town reports one major proprietary fund, the Water and Sewer Enterprise Fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Town's enterprise operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. However, there were no payments-in-lieu of taxes for the year ended June 30, 2009.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The Water and Sewer Fund's principal operating revenues are water and sewer usage fees. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables and payables

Activity between funds outstanding at the end of the fiscal year, including lending and borrowing arrangements, is referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles, when material.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied by the Town in September or October, are actually billed on October 1, and are mailed to the taxpayers in November. Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year they are billed. The Town bills and collects its own property taxes using the assessed value determined by the tax assessor of West Carroll Parish. For the year ended June 30, 2009, taxes of 18.25 mills were levied on property with assessed valuations totaling \$10,256,043, as follows:

General corporate purposes	9.40 mills
Street maintenance	6.33 mills
Cemetery	2.52 mills

The following are the principal taxpayers and related property tax revenue for the Town:

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>	<u>Ad Valorem Tax Revenue for Municipality</u>
Regions Bank	\$ 1,004,030	10%	\$ 18,324
Wal-Mart Real Estate Business Trust	965,000	9%	17,611
Wal-Mart Louisiana, LLC	841,720	8%	15,361
Totals	<u>\$ 2,810,750</u>	<u>27%</u>	<u>\$ 51,296</u>

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets

The Town of Oak Grove (Mayor and Council) uses the following budget practices:

Prior to June 30, the Town Clerk submits to the Mayor and Council Members a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year. The budget is submitted in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.

Public hearings are conducted to obtain taxpayer comment.

During the month of July, the budget is legally enacted through passage of an ordinance.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds and the Debt Service Fund.

Budgets for the General, Capital Projects, and Special Revenue Funds are adopted on the modified accrual basis.

Appropriations lapse at the end of each fiscal year.

The Mayor and Council Members may authorize supplemental appropriations during the year.

Cash and cash equivalents

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Town of Oak Grove may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Some of the cash and cash equivalents are restricted. Cash deposits are reported at carrying amount which reasonably approximates fair value.

Investments

Under state law, the Town may invest in United States bonds, notes or certificates. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

Short-term interfund receivables/payables

During the course of operations, numerous transactions occur between individual funds for services rendered. These receivables and payables are classified as due from other funds or due to other funds on the fund financial statements balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Elimination and reclassifications

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Inventories

Inventories are accounted for using the consumption method, where expenditures are recognized as the inventory is used. All purchased inventory items are valued at cost using the first-in/first-out method.

Capital assets

Capital assets are recorded at either historical cost or estimated historical cost and depreciated over their estimated useful lives (excluding salvage value). Donated capital assets are recorded at their estimated fair value at the date of donation. The capitalization threshold for equipment is \$200. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight-line depreciation is used based on the following estimated useful lives:

Buildings	10-50
Computers and computer equipment	5-10
Furniture and equipment	5-20
Improvements other than buildings	10-50
Infrastructure	40
Vehicles	5-7

Compensated absences

An employee must have been in the service of the Town for at least one year to be eligible for annual leave. Employees' vacations are determined by length of service with the Town according to the following: one–two years, one week; two–ten years, two weeks; and more than ten years, three weeks. Employees may not carry over or accumulate annual leave from one year to another. After one year, employees are entitled to three hardship days to be approved by the department head and the mayor.

Leave from work with pay may be charged as sick leave if the absence is due to sickness, bodily injury, quarantine, required physical or dental examinations or treatment, exposure to a contagious disease when continued work might jeopardize the health of others, and illness in the employee's immediate family. Employees are entitled to sick leave when they have worked full-time for the Town for six months. Each employee earns sick leave at the rate of one day for each month worked. An employee cannot accumulate more than 30 days sick leave and all accumulated sick leave is forfeited upon termination of employment.

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated absences (continued)

A municipal employee who is called for jury duty or as a witness for the federal or state governments or a subdivision thereof is entitled to leave with pay for such duty during the required absence. A municipal employee who is a member of Reserved Military or National Guard is entitled to leave with pay for up to 15 days per year.

The Town does not provide compensatory time as a means of compensation.

Restricted net assets

For the government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either:

1. Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments.
2. Imposed by law through constitutional provisions or enabling legislation.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then the unrestricted resources as they are needed.

Fund equity

Reservations of fund balance represent amounts that are not appropriable for expenditure or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislations.

Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund activity

Interfund activity is reported either as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 – CASH AND CASH EQUIVALENTS

Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town's policy to ensure that there is no exposure to this risk is to require each financial institution to pledge its own securities to cover any amount in excess of Federal Depository Insurance Coverage. Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten days of being notified by the Town that the fiscal agent bank has failed to pay deposited funds upon demand.

At June 30, 2009, the Town has cash and cash equivalents (book balances) totaling \$3,186,395 as follows:

Cash and cash equivalents:	
Demand deposits	\$ 568,033
Time deposits	2,110,709
Other	833
Total	<u>2,679,575</u>
Cash and cash equivalents – restricted:	
Demand deposits	96,245
Time deposits	410,575
Total	<u>506,820</u>
Total	<u><u>\$3,186,395</u></u>

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

These deposits are stated at cost which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. As of June 30, 2009, \$1,051,571 of the Town's bank balances of \$3,219,846 were exposed to custodial credit risk as follows:

Insured by FDIC	\$ 2,168,095
Uninsured and uncollateralized	490,128
Collateralized by pledged securities not in the Town's name	561,623
Total balances exposed to custodial credit risk	<u>1,051,751</u>
Total bank balances	<u>\$ 3,219,846</u>

NOTE 3 – RECEIVABLES

The following is a summary of receivables at June 30, 2009:

	<u>General</u>	<u>Sales Tax</u>	<u>Water/ Sewer</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Receivables:					
Taxes and licenses	\$12,350	\$117,556	\$ -	\$ -	\$ 129,906
Accounts	-	-	61,042	-	61,042
Intergovernmental	849	-	-	3,650	4,499
Gross receivables	<u>13,199</u>	<u>117,556</u>	<u>61,042</u>	<u>3,650</u>	<u>195,447</u>
Less allowance for uncollectibles	-	-	(5,173)	-	(5,173)
Net total receivables	<u>\$13,199</u>	<u>\$117,556</u>	<u>\$55,869</u>	<u>\$ 3,650</u>	<u>\$ 190,274</u>

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 4 – CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2009, follows:

	<u>Beginning</u> <u>Balance</u>	<u>Adjustments</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 33,000	\$ -	\$ -	\$ -	\$ 33,000
Recreational vehicle hookups at park	1,270	-	-	-	1,270
Construction in progress	-	-	47,200	-	47,200
Total capital assets not being depreciated	<u>34,270</u>	<u>-</u>	<u>47,200</u>	<u>-</u>	<u>81,470</u>
Capital assets being depreciated:					
Infrastructure	2,852,633	-	-	-	2,852,633
Buildings	371,637	-	-	-	371,637
Building improvements	149,493	-	-	-	149,493
Furniture and equipment	344,527	1,654	20,573	-	366,754
Vehicles	200,953	-	15,705	-	216,658
Total capital assets being depreciated	<u>3,919,243</u>	<u>1,654</u>	<u>36,278</u>	<u>-</u>	<u>3,957,175</u>
Less accumulated depreciation for:					
Infrastructure	559,945	-	76,301	-	636,246
Buildings	354,137	-	17,500	-	371,637
Building improvements	97,308	(1,282)	5,562	-	101,588
Furniture and equipment	151,146	2,936	22,115	-	176,197
Vehicles	123,976	-	18,578	-	142,554
Total accumulated depreciation	<u>1,286,512</u>	<u>1,654</u>	<u>140,056</u>	<u>-</u>	<u>1,428,222</u>
Total capital assets being depreciated	<u>2,632,731</u>	<u>-</u>	<u>(103,778)</u>	<u>-</u>	<u>2,528,953</u>
Governmental activities, capital assets, net	<u>\$ 2,667,001</u>	<u>\$ -</u>	<u>\$ (56,578)</u>	<u>\$ -</u>	<u>\$ 2,610,423</u>

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 4 – CAPITAL ASSETS (Continued)

	Beginning Balance	Adjustments	Increases	Decreases	Ending Balance
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 10,756	\$ -	\$ -	\$ -	\$ 10,756
Total capital assets not being depreciated	<u>10,756</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,756</u>
Capital assets being depreciated:					
Infrastructure	5,266,568	-	-	-	5,266,568
Buildings	1,815	-	-	-	1,815
Building improvements	16,982	-	-	-	16,982
Furniture and equipment	127,743	-	10,886	-	138,629
Vehicles	88,838	-	15,705	-	104,543
Total capital assets being depreciated	<u>5,501,946</u>	<u>-</u>	<u>26,591</u>	<u>-</u>	<u>5,528,537</u>
Less accumulated depreciation for:					
Infrastructure	2,132,446	-	106,794	-	2,239,240
Buildings	726	-	121	-	847
Building improvements	9,739	-	564	-	10,303
Furniture and equipment	115,481	-	4,290	-	119,771
Vehicles	81,495	-	1,387	-	82,882
Total accumulated depreciation	<u>2,339,887</u>	<u>-</u>	<u>113,156</u>	<u>-</u>	<u>2,453,043</u>
Total capital assets being depreciated	<u>3,162,059</u>	<u>-</u>	<u>(86,565)</u>	<u>-</u>	<u>3,075,494</u>
Business-type activities, capital assets, net	<u>\$ 3,172,815</u>	<u>\$ -</u>	<u>\$ (86,565)</u>	<u>\$ -</u>	<u>\$ 3,086,250</u>

Depreciation expense was charged as follows:

Governmental activities:	
General government	\$ 38,802
Highways and Streets	<u>101,254</u>
Total	<u>\$ 140,056</u>
Business-type activities – water/sewer	<u>\$ 113,156</u>

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 5 – INTERFUND TRANSFERS

Interfund transfers during the year ended June 30, 2009, were as follows:

		Transfers out			
		General	Sales Tax	Economic Development	Total
Transfers in	General	\$ -	\$ 1,850	\$ -	\$ 1,850
	Sales Tax	26,854	-	-	26,854
	Street	-	13,429	-	13,429
	Debt Service	-	214,412	-	214,412
	Water & Sewer	-	13,427	-	13,427
	Other Governmental	-	-	4,375	4,375
	Total	<u>\$26,854</u>	<u>\$243,118</u>	<u>\$ 4,375</u>	<u>\$274,347</u>

Transfers are used to (1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, (2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve accounts, and (3) move unrestricted general fund revenues to finance various programs that the Town must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

NOTE 6 – LEASES

The Town leases a commercial building to a warehousing company under an operating lease dated July 10, 2001, (amended October 1, 2001) for an original five-year term. The lease contains an option to extend the lease for three additional five-year periods on the same terms and conditions. On June 5, 2006, the lessee exercised its right to extend the lease for an additional five years ending on July 10, 2011. Under the terms of the lease, the lessee is to 1) maintain insurance on the building and 2) pay monthly lease payments of \$1,000 plus 10% of the lessee's gross earnings. The warehouse is included in governmental activities capital assets at a cost of \$350,000 and is fully depreciated.

The Town entered into a second operating lease with the lessee on April 1, 2002, and ending March 31, 2007, for the land on which the above warehouse is situated. The lease was renewed for an additional five-year term ending on March 31, 2012. The lessee is to pay the Town \$1,000 per month or 10% of the gross earnings per month, whichever sum is greater. The lease allows the lessee the option to extend the lease for two additional five-year terms and a final additional four-year-and-three-month term which would terminate on July 10, 2021.

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 7 – LONG-TERM OBLIGATIONS

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. The Town also issues bonds where the Town pledges income derived from the acquired or constructed asset to pay debt service.

Bonds payable at June 30, 2009, are comprised of the following issues:

General Obligation Bonds:		
\$2,550,000 State of Louisiana Sales Tax Bonds Series 99, dated June 1, 1999, payable in annual installments of \$90,000 commencing December 1, 2000, and increasing in \$5,000 increments each year through 2017; interest payable each year on June 1 and December 1 at rates between 4.30% and 4.70%.		\$ 1,555,000
Revenue Bonds:		
\$1,045,000 Water and Sewer Revenue Bond dated March 20, 1998, payable in monthly installments of \$4,995 beginning April 20, 1999, and ending March 20, 2038, including interest at 4.875%. The Town has paid ahead of the payment schedule.	<u>430,322</u>	
Total		<u><u>\$ 1,985,322</u></u>

Long-term liability activity for the year ended June 30, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds payable	\$1,690,000	\$ -	\$(135,000)	\$1,555,000	\$140,000
Compensated absences	16,876	8,686	(7,608)	17,954	3,153
Governmental activity long-term liabilities	<u>\$1,706,876</u>	<u>\$8,686</u>	<u>\$(142,608)</u>	<u>\$1,572,954</u>	<u>\$143,153</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Revenue bonds payable	\$ 467,236	\$ -	\$ (36,914)	\$ 430,322	\$ 39,185
Compensated absences	10,997	7,541	(7,986)	10,552	2,822
Business-type activity long-term liabilities	<u>\$ 478,233</u>	<u>\$7,541</u>	<u>\$ (44,900)</u>	<u>\$ 440,874</u>	<u>\$ 42,007</u>

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 7 – LONG-TERM OBLIGATIONS (Continued)

Annual debt service requirements to maturity for bonds are as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>General Obligation Principal</u>	<u>General Obligation Interest</u>	<u>1998 Revenue Bonds Principal</u>	<u>1998 Revenue Bonds Interest</u>
2010	\$ 140,000	\$ 70,905	\$ 39,185	\$ 22,122
2011	145,000	64,527	40,854	20,278
2012	155,000	57,700	42,846	18,345
2013	165,000	50,258	44,934	15,007
2014	170,000	42,300	47,125	12,816
2015-2018	780,000	78,890	215,378	24,386
Totals	<u>\$1,555,000</u>	<u>\$364,580</u>	<u>\$430,322</u>	<u>\$ 112,954</u>

There are a number of limitations and restrictions contained in the various bond indentures. The Town is in compliance with all significant limitations and restrictions.

Interest expense for the year ended June 30, 2009, totaled \$101,190.

NOTE 8 – RETIREMENT SYSTEMS

Municipal Employees Retirement System of Louisiana (the System)

Plan Description

The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. Substantially all full-time employees except police of the Town of Oak Grove are members of Plan B.

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan B, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 2% of their final-average monthly salary in excess of \$100 for each year of creditable service. Furthermore, employees with at least 10 years of creditable service, but less than 30 years, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced 3% for each year retirement precedes age 62, unless he has at least 30 years of creditable service. In any case, monthly retirement benefits paid under Plan B cannot exceed 100% of final-average salary. Final average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 8 – RETIREMENT SYSTEMS (Continued)

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (504) 925-4810.

Funding Policy

Under Plan B, members are required by state statute to contribute 5% of their annual covered salary and the Town of Oak Grove is required to contribute at an actuarially determined rate. The current rate is 6.75% of annual covered payroll. Contributions to the System also include one-fourth of 1% (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Town of Oak Grove are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town's contributions to the System under Plan B for the years ended June 30, 2009, 2008, and 2007, were \$17,961, \$18,819 and \$22,519, respectively, equal to the required contributions for each year.

Municipal Police Employees Retirement System of Louisiana (System)

Plan Description

All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (504) 929-7411.

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 8 – RETIREMENT SYSTEMS (Continued)

Funding Policy

Plan members are required by state statute to contribute 7.5% of their annual covered salary and the Town of Oak Grove is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of plan members and the Town of Oak Grove are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town's contributions to the System for the years ended June 30, 2009, 2008, and 2007, were \$16,700, \$20,051, and \$17,412, respectively, equal to the required contributions for each year.

NOTE 9 – ON-BEHALF PAYMENTS

Certain employees in the Town's police department receive supplemental pay from the state of Louisiana. In accordance with GASB Statement No. 24, the Town has recorded revenues and expenditures for these payments in the General Fund. Revenues under this arrangement totaled \$33,761. The related expenditures of \$33,761 are included in public safety expenditures in the General Fund.

NOTE 10 – CONTINGENCIES

The Town operates water and sewer treatment plants. These operations pose a high risk for environmental liabilities. The Town is required to have EPA permits for wastewater. The Town relies on the EPA for periodic testing and inspections to help identify environmental liabilities or contingencies. The Town employs a professional wastewater management company to ensure compliance with the EPA regulations.

There was no litigation pending at June 30, 2009.

NOTE 11 – RISK MANAGEMENT

The Town is exposed to various risks of loss relating to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

NOTE 12 – SUBSEQUENT EVENT

On July 14, 2009, the Town awarded a \$311,525 contract for sewer system improvements to be financed by the Louisiana Community Development Block Grant (LCDBG) program. The project is estimated to cost \$473,450. Of that amount, \$381,275 will be provided by the LCDBG program and \$92,175 will be paid by the Town from the Economic Development Special Revenue Fund. During the year ended June 30, 2009, the Town incurred engineering fees of \$47,200 which are included in capital outlay in the LCDBG fund financial statements and in capital assets not being depreciated (construction in progress) in the government-wide financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance
	Original	Final		with Final Budget
Revenues:				
Taxes	\$158,000	\$179,500	\$ 173,592	\$(5,908)
Licenses and permits	131,000	132,500	131,680	(820)
Intergovernmental revenues	-	75,239	108,849	33,610
Charges for services	16,800	12,930	10,649	(2,281)
Fines	30,000	28,000	23,437	(4,563)
Lease income	35,400	33,900	33,670	(230)
Interest earned	9,000	11,000	10,421	(579)
Other revenues	3,000	5,000	2,597	(2,403)
Total revenues	383,200	478,069	494,895	16,826
Expenditures:				
Current:				
General government	188,700	233,200	219,743	13,457
Public safety	198,000	193,384	223,888	(30,504)
Culture and recreation	-	-	1,000	(1,000)
Capital outlay	-	-	2,536	(2,536)
Total expenditures	386,700	426,584	447,167	(20,583)
Excess (deficiency) of revenues over expenditures	(3,500)	51,485	47,728	(3,757)
Other financing sources (uses):				
Transfers in	-	-	1,850	1,850
Transfers out	-	(26,854)	(26,854)	-
Total other financing sources (uses)	-	(26,854)	(25,004)	1,850
Net change in fund balances	(3,500)	24,631	22,724	(1,907)
Fund balances at beginning of year	374,657	374,657	374,657	-
Fund balances at end of year	\$371,157	\$399,288	\$ 397,381	\$(1,907)

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**SPECIAL REVENUE FUND – SALES TAX FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance
	Original	Final		with Final Budget
Revenues:				
Taxes	\$ 600,000	\$ 650,000	\$ 665,040	\$ 15,040
Interest earned	35,000	20,500	33,516	13,016
Total revenues	<u>635,000</u>	<u>670,500</u>	<u>698,556</u>	<u>28,056</u>
Expenditures:				
Current:				
General government	331,800	294,500	288,388	6,112
Capital outlay	25,000	21,000	15,069	5,931
Total expenditures	<u>356,800</u>	<u>315,500</u>	<u>303,457</u>	<u>12,043</u>
Excess (deficiency) of revenues over expenditures	<u>278,200</u>	<u>355,000</u>	<u>395,099</u>	<u>40,099</u>
Other financing sources:				
Transfers in	26,854	26,854	26,854	-
Transfers out	(241,268)	(241,268)	(243,118)	(1,850)
Total other financing sources	<u>(214,414)</u>	<u>(214,414)</u>	<u>(216,264)</u>	<u>(1,850)</u>
Net change in fund balances	63,786	140,586	178,835	38,249
Fund balances at beginning of year	1,094,776	1,094,776	1,094,776	-
Fund balances at end of year	<u>\$1,158,562</u>	<u>\$1,235,362</u>	<u>\$ 1,273,611</u>	<u>\$ 38,249</u>

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**SPECIAL REVENUE FUND – STREET FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance
	Original	Final		with Final Budget
Revenues:				
Taxes	\$ 62,800	\$ 64,800	\$ 64,662	\$ (138)
Interest earned	6,000	4,000	4,258	258
Total revenues	<u>68,800</u>	<u>68,800</u>	<u>68,920</u>	<u>120</u>
Expenditures:				
Current:				
Highways and streets	70,000	90,000	85,436	4,564
Capital outlay	-	18,500	18,672	(172)
Total expenditures	<u>70,000</u>	<u>108,500</u>	<u>104,108</u>	<u>4,392</u>
Excess (deficiency) of revenues over expenditures	<u>(1,200)</u>	<u>(39,700)</u>	<u>(35,188)</u>	<u>4,512</u>
Other financing sources:				
Transfers in	-	13,429	13,429	-
Total other financing sources	<u>-</u>	<u>13,429</u>	<u>13,429</u>	<u>-</u>
Net change in fund balances	(1,200)	(26,271)	(21,759)	4,512
Fund balances at beginning of year	<u>160,190</u>	<u>160,190</u>	<u>160,190</u>	<u>-</u>
Fund balances at end of year	<u>\$158,990</u>	<u>\$133,919</u>	<u>\$ 138,431</u>	<u>\$ 4,512</u>

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**SPECIAL REVENUE FUND – ECONOMIC DEVELOPMENT FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance
	Original	Final		with Final Budget
Revenues:				
Interest earned	\$ 10,000	\$ 8,000	\$ 8,591	\$ 591
Total revenues	10,000	8,000	8,591	591
Expenditures:				
Current:				
Economic development	2,000	40,550	35,082	5,468
Total expenditures	2,000	40,550	35,082	5,468
Excess (deficiency) of revenues over expenditures	8,000	(32,550)	(26,491)	6,059
Other financing uses:				
Transfers out	-	-	(4,375)	(4,375)
Total other financing uses	-	-	(4,375)	(4,375)
Net change in fund balances	8,000	(32,550)	(30,866)	1,684
Fund balances at beginning of year	384,117	384,117	384,117	-
Fund balances at end of year	\$392,117	\$351,567	\$ 353,251	\$ 1,684

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2009**

	<u>Special Revenue Cemetery Fund</u>	<u>Capital Projects LCDBG Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$304,206	\$ -	\$ 304,206
Receivables, net	-	3,650	3,650
TOTAL ASSETS	<u>\$304,206</u>	<u>\$ 3,650</u>	<u>\$ 307,856</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 125	\$ 3,650	\$ 3,775
Payroll and related liabilities	197	-	197
Total liabilities	<u>322</u>	<u>3,650</u>	<u>3,972</u>
Fund balances:			
Unreserved – undesignated	<u>303,884</u>	-	<u>303,884</u>
Total fund balances	<u>303,884</u>	-	<u>303,884</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$304,206</u>	<u>\$ 3,650</u>	<u>\$ 307,856</u>

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2009**

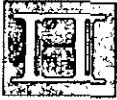
	<u>Special Revenue Cemetery Fund</u>	<u>Capital Projects LCDBG Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:			
Taxes	\$ 25,737	\$ -	\$ 25,737
Intergovernmental revenues	-	47,200	47,200
Charges for services	11,775	-	11,775
Interest earned	5,206	-	5,206
Total revenues	<u>42,718</u>	<u>47,200</u>	<u>89,918</u>
Expenditures:			
Current:			
Highways and streets	14,982	-	14,982
Health and welfare	-	4,375	4,375
Capital outlay	-	47,200	47,200
Total expenditures	<u>14,982</u>	<u>51,575</u>	<u>66,557</u>
Excess (deficiency) of revenues over expenditures	<u>27,736</u>	<u>(4,375)</u>	<u>23,361</u>
Other financing sources:			
Transfers in	-	4,375	4,375
Total other financing sources	<u>-</u>	<u>4,375</u>	<u>4,375</u>
Net change in fund balances	27,736	-	27,736
Fund balances at beginning of year	<u>276,148</u>	<u>-</u>	<u>276,148</u>
Fund balances at end of year	<u>\$303,884</u>	<u>\$ -</u>	<u>\$ 303,884</u>

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**SCHEDULE OF COMPENSATION TO MAYOR AND TOWN COUNCIL
FOR THE YEAR ENDED JUNE 30, 2009**

Lavelle Brown, Mayor	\$18,000
Kent Elkins, Mayor Pro-Tem	1,800
Noel Haynes	400
Jim Holland	1,200
Robert McFarlin	1,200
W.B. Russell	1,200
Total	<u>\$23,800</u>

OTHER REPORTS



Hulsey, Harwood & Sheridan, LLC

Certified Public Accountants

*Report on Internal Control over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards*

**Town of Oak Grove
Oak Grove, Louisiana**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Oak Grove, as of and for the year ended June 30, 2009, which collectively comprise the Town of Oak Grove's basic financial statements and have issued our report thereon dated December 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Louisiana Society of Certified Public Accountants and the Louisiana Legislative Auditor.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town of Oak Grove's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Oak Grove's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Oak Grove's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Oak Grove's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Oak Grove's financial statements that is more than inconsequential will not be prevented or detected by the Town of Oak Grove's internal control. We consider the deficiency, identified as 2009-1, described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

Town of Oak Grove
Oak Grove, Louisiana
Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
June 30, 2009

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Oak Grove's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider item 2009-1 to be a material weakness.

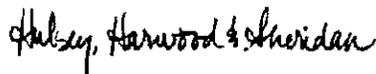
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Oak Grove's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2009-1.

The Town of Oak Grove's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Town of Oak Grove's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Mayor, members of the Council, management, pass-through entities, and the Louisiana Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, it is issued by the Legislative Auditor as a public document.

HULSEY, HARWOOD & SHERIDAN, LLC
Accountants and Consultants



December 23, 2009

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009**

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the Town of Oak Grove.
2. One significant deficiency is reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. One instance of noncompliance material to the financial statements which is required to be reported in accordance with *Government Auditing Standards* was disclosed during the audit.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

2009-1 Failure to Request That Banks Pledge Securities to Cover Deposits

First Reported
2009

Condition

At June 30, 2009, the Town's deposits with financial institutions totaled \$3,219,846. Of that amount, \$2,168,095 was covered by federal deposit insurance corporation (FDIC) insurance, \$561,623 was collateralized by pledged securities, and \$490,128 was unsecured and uncollateralized.

Criteria

Louisiana Revised Statutes (LRS) 39:1221 requires local depositing authorities, such as the Town, to require banks to secure with certain financial instruments, deposits in excess of insurance provided by governmental agencies insuring bank deposits.

Cause

In an effort to reduce the risk of loss of deposits potentially caused by declining market conditions, management of the Town spread the Town's deposits among several financial institutions thereby increasing the amount of deposits insured by government agencies. However, management relied on the banks to monitor deposit balances and cover the deposits as they exceeded the FDIC threshold. The Town's internal control system was not properly designed to detect the noncompliance.

Effect

The Town was not in compliance with a state law that is included in the Louisiana Legislative Auditor's Compliance Questionnaire.

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**SCHEDULE OF FINDINGS (Continued)
FOR THE YEAR ENDED JUNE 30, 2009**

Recommendation

We recommend that the Town Clerk, or an individual designated by her, prepare and analyze a monthly schedule of bank balances, FDIC insurance, and pledged securities. The Town Clerk should notify the banks when additional securities are required.

Corrective Action Plan and Responsible Person

We will follow the auditor's recommendations. Mayor Brown, 318-428-3275

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009**

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken Yes, No, Partially	Planned Corrective Action/Partial Corrective Action Taken
ML 2008-1	2005	Purchases were not properly supported by invoices and purchase orders.	Yes	N/A